

ORIGINAL

OPEN MEETING

MEMORANDUM RECEIVED



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Arizona Corporation Commission

DOCKETED

DEC - 2 2009

TO: THE COMMISSION

2009 DEC -2 P 12: 06

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: December 2, 2009



RE: DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.-APPLICATION FOR
APPROVAL OF RENEWABLE ENERGY STANDARD TARIFFS (DOCKET NO.
E-01703A-09-0447)

Background

On February 27, 2008, the Arizona Corporation Commission ("Commission") issued Decision No. 70165 which approved Duncan Valley Electric Cooperative, Inc.'s ("Duncan Valley", "Cooperative" or "Company") application for approval of its Renewable Energy Standard ("RES") Tariff. Duncan Valley's RES Tariff was associated with Arizona Electric Power Cooperative, Inc.'s ("AEP CO") Amended and Restated REST Plan ("Restated Plan"). AEP CO's Restated Plan was approved on July 30, 2007, in Decision No. 69728. AEP CO's Restated Plan was filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives were Duncan Valley, Graham County Electric Cooperative, Inc. ("Graham County"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico Electric Cooperative, Inc. ("Trico").

On September 18, 2009, Duncan Valley filed its application for approval of its RES Tariff associated with AEP CO's 2010 REST Plan filed on June 30, 2009 (AEP CO filed its Amended and Restated 2010 REST Plan on November 6, 2009) and pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1808. In addition, Duncan Valley is also submitting its proposed budget of \$75,997 for its portion of the Restated Plan. Graham County and Trico have also submitted separate tariffs which include each Cooperative's individual budget for its portion of the Restated Plan. Duncan Valley's current RES Tariff was approved by the Commission on February 27, 2008, in Decision No. 70165.

Tariffs

Staff has reviewed Duncan Valley's proposed RES Tariff which was filed in association with the AEP CO 2010 Restated Plan. Duncan Valley's proposed RES Tariff sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2010. The proposed tariff includes a surcharge of \$0.001663 per kWh for governmental and agricultural members/customers, which is an increase from the current REST surcharge of \$0.000875. The proposed monthly maximums for governmental and agricultural member/customers are \$24.70 per service and \$74.10 per service for governmental and agricultural members/customers whose

THE COMMISSION

December 2, 2009

Page 2

demand is 3,000 kW or more for three consecutive months. For residential and non-residential members/customers, Duncan Valley is proposing a surcharge of \$0.009477 per kWh, which is an increase from the current REST surcharge of \$0.004988. The proposed monthly maximum per service for residential members/customers is \$2.00. Duncan Valley is proposing a \$74.10 per service monthly maximum for non-residential members/customers. For non-residential members/customers whose demand is 3,000 kW or more for three consecutive months, the proposed monthly maximum is \$222.30 per service. The proposed kWh surcharges and monthly maximums ("caps") for Duncan Valley's proposed tariff, compared to the current REST surcharges and maximums, are:

Customer Class/Category	Current		Proposed	
	Existing Surcharges	Existing Maximums/Caps	Proposed Surcharges	Proposed Maximums/Caps
Residential	\$0.004988	\$ 1.05	\$0.009477	\$2.00
Governmental & Agricultural	\$0.000875	\$ 13.00	\$0.001663	\$24.70
Governmental & Agricultural >3MW	\$0.000875	\$ 39.00	\$0.001663	\$74.10
Non-Residential	\$0.004988	\$ 39.00	\$0.009477	\$74.10
Non-Residential >3MW	\$0.004988	\$ 117.00	\$0.009477	\$222.30

Duncan Valley is also proposing to introduce a \$50.00 Inspection Fee. According to Duncan Valley's proposed tariff, the charge would be associated with the second inspection and subsequent inspections. The Inspection Fee would cover the increased costs associated with repeated inspections due to improper installations that do not meet the Cooperative's requirements. In addition, Duncan Valley has indicated that the costs of the additional inspections would be paid out of REST funds and allocated as administrative expenses. However, Duncan Valley did not provide information as to whether the costs for the proposed Inspection Fee would include labor costs for employees that are already being paid out of base rates. Staff does not believe that costs for the Inspection Fee should be included in the REST budget.

The following table provides examples of sample Duncan Valley customers and the impact customers can expect to see.

Monthly Bill Impact

Sample Customers	Average kWh	Current REST	Proposed REST	Difference
Gas & Convenience Store	6,879	\$34.31	\$65.19	\$30.88
School-High School	14,817	\$12.96	\$24.64	\$11.68
Irrigation 95HP	31,040	\$13.00	\$24.70	\$11.70
Irrigation 58HP	9,792	\$8.57	\$16.28	\$7.71
Irrigation 14HP	3,165	\$2.77	\$5.26	\$2.49
Radio Station	11,007	\$39.00	\$74.10	\$35.10

Duncan Valley has calculated that its RES Tariff will collect the following funds, by customer category:

RES Tariff Funding from Proposed Surcharge

	Total \$	% Reaching Cap
Residential	\$34,783	83%
Governmental & Agricultural	\$5,426	4%
Governmental & Agricultural >3MW	-	0%
Commercial & Industrial	\$35,788	5%
Commercial & Industrial >3MW	-	0%
Total	\$75,997	

Duncan Valley believes that the surcharge rates and the monthly maximums proposed in Duncan Valley's RES Tariff will be sufficient to fund its annual budget for 2010.

Duncan Valley is not filing a revised Voluntary RES Contribution Program Tariff. The program allows members/customers to purchase 50 kWh blocks of green energy for an additional \$2.00 per block. In addition, Duncan Valley is not filing a revised Customer Self-Directed Tariff. Duncan Valley's Customer Self-Directed Tariff allows eligible non-residential members/customers with multiple meters that pay more than \$25,000 annually in RES Surcharge funds to receive funds from the Cooperative to install Distributed Renewable Energy Resources.

Budget

According to Duncan Valley, the RES funding from the RES surcharge is estimated to be a total of \$75,997. The AEPCO Restated Plan includes a total surcharge budget of \$1,624,349. Duncan Valley's \$75,997 fund plus the remaining two cooperatives' funds (Graham County and Trico) come to a total of \$1,626,653, according to information provided by each Cooperative. There is a difference of \$2,304 between the proposed total AEPCO fund amount and the total estimated amount based on information provided by each Cooperative. Staff has provided further explanation regarding the difference between AEPCO's proposed budget and the estimated amount to be collected based on the information from the Cooperatives and can be found in the Staff Memorandum and Proposed Order filed in AEPCO's Docket No. E-01773A-09-0335. According to AEPCO, the Cooperatives do not anticipate any funds from 2009 will be carried over into 2010.

Fair Value Determination

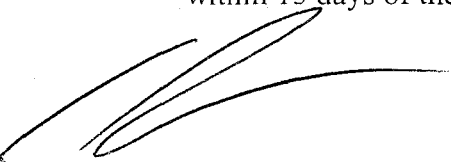
Staff has analyzed Duncan Valley's application in terms of whether there are fair value implications. In Decision No. 67433, issued on December 4, 2004, the Commission determined the fair value rate base for Duncan Valley's property to be \$2,972,556. According to Duncan Valley, as of December 31, 2008, the value of Duncan Valley's plant is \$6,994,917. Staff considered these values for purposes of this analysis. The proposed Renewable Energy Standard Tariff would have no impact on the Company's revenue, fair value rate base, or rate of return.

Because plant developed pursuant to the REST programs is not added to the rate base, there will be no corresponding effect on Duncan Valley's ultimate revenue or rate of return.

Recommendations

Staff has reviewed Duncan Valley's proposed tariffs and finds that they are consistent with A.A.C. R14-2-1808, R14-2-1809(A), and Appendix A: Sample Tariff of the Renewable Energy Standard and Tariff Rules. Staff recommends the following:

1. Approval of Duncan Valley's Renewable Energy Standard Tariff;
2. Duncan Valley remove the \$50.00 Inspection Fee from its Renewable Energy Standard Tariff;
3. Duncan Valley's Voluntary Renewable Energy Standard Contribution Program Tariff, currently on file with the Commission, remain in effect until further Order of the Commission; and
4. Duncan Valley's Customer Self-Directed Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.
5. Duncan Valley file a revised RES Tariff consistent with the Decision in this matter within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:CLA:lhv\CH

ORIGINATOR: Candrea Allen

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION
OF DUNCAN VALLEY ELECTRIC
COOPERATIVE, INC. FOR APPROVAL OF
RENEWABLE ENERGY STANDARD
TARIFFS

DOCKET NO. E-01703A-09-0447

DECISION NO. _____

ORDER

Open Meeting
December 15 and 16, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Duncan Valley Electric Cooperative, Inc. ("Duncan Valley", "Cooperative" or "Company") is certificated to provide electricity as a public service corporation in the State of Arizona.

Background

2. On February 27, 2008, the Arizona Corporation Commission ("Commission") issued Decision No. 70165 which approved Duncan Valley's application for approval of its Renewable Energy Standard ("RES") Tariff. Duncan Valley's RES Tariff was associated with Arizona Electric Power Cooperative, Inc.'s ("AEP CO") Amended and Restated REST Plan ("Restated Plan") which was approved on July 30, 2007, in Decision No. 69728. AEP CO's Restated Plan was filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives were Duncan Valley, Graham County Electric Cooperative, Inc.

1 ("Graham County"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico Electric
2 Cooperative, Inc. ("Trico").

3 3. On September 18, 2009, Duncan Valley filed its application for approval of its RES
4 Tariff associated with AEPCO's 2010 REST Plan filed on June 30, 2009 (AEPCO filed its
5 Amended and Restated 2010 REST Plan on November 6, 2009) and pursuant to Arizona
6 Administrative Code ("A.A.C.") R14-2-1808. In addition, Duncan Valley is also submitting its
7 proposed budget of \$75,997 for its portion of the Restated Plan. Graham County and Trico have
8 also submitted separate tariffs which include each Cooperatives' individual budget for its portion
9 of the Restated Plan. Duncan Valley's current RES Tariff was approved by the Commission on
10 February 27, 2008, in Decision No. 70165.

11 **Tariffs**

12 4. Staff has reviewed Duncan Valley's proposed RES Tariff which was filed in
13 association with the AEPCO 2010 Restated Plan. Duncan Valley's proposed RES Tariff sets forth
14 the surcharge rates and monthly maximums to be collected to fund its annual budget for 2010. The
15 proposed tariff includes a surcharge of \$0.001663 per kWh for governmental and agricultural
16 members/customers, which is an increase from the current REST surcharge of \$0.000875. The
17 proposed monthly maximums for governmental and agricultural member/customers are \$24.70 per
18 service and \$74.10 per service for governmental and agricultural members/customers whose
19 demand is 3,000 kW or more for three consecutive months.

20 5. For residential and non-residential members/customers, Duncan Valley is proposing
21 a surcharge of \$0.009477 per kWh, which is an increase from the current REST surcharge of
22 \$0.004988. The proposed monthly maximum per service for residential members/customers is
23 \$2.00. Duncan Valley is proposing a \$74.10 per service monthly maximum for non-residential
24 members/customers. For non-residential members/customers whose demand is 3,000 kW or more
25 for three consecutive months, the proposed monthly maximum is \$222.30 per service. The
26 proposed kWh surcharges and monthly maximums ("caps") for Duncan Valley's proposed tariff,
27 compared to the current REST surcharges and maximums, are:

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Total	\$75,997	

1 9. Duncan Valley believes that the surcharge rates and the monthly maximums
2 proposed in Duncan Valley's RES Tariff will be sufficient to fund its annual budget for 2010.

3 10. Duncan Valley is not filing a revised Voluntary RES Contribution Program Tariff.
4 The program allows members/customers to purchase 50 kWh blocks of green energy for an
5 additional \$2.00 per block. In addition, Duncan Valley is not filing a revised Customer Self-
6 Directed Tariff. Duncan Valley's current Customer Self-Directed Tariff allows eligible non-
7 residential members/customers with multiple meters that pay more than \$25,000 annually in RES
8 Surcharge funds to receive funds from the Cooperative to install Distributed Renewable Energy
9 Resources.

10 **Budget**

11 11. According to Duncan Valley, the RES funding from the RES surcharge is estimated
12 to be a total of \$75,997. The AEPCO Restated Plan includes a total surcharge budget of
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17 further explanation regarding the difference between AEPCO's proposed budget and the estimated
18 amount to be collected based on the information from the Cooperatives and can be found in the
19 Staff Memorandum and Proposed Order filed in AEPCO's Docket No. E-01773A-09-0335.
20 According to AEPCO, the Cooperatives do not anticipate any funds from 2009 will be carried over
21 into 2010.

22 **Fair Value Determination**

23 12. Staff has analyzed Duncan Valley's application in terms of whether there are fair
24 value implications. In Decision No. 67433, issued on December 4, 2004, the Commission
25 determined the fair value rate base for Duncan Valley's property to be \$2,972,556. According to
26 Duncan Valley, as of December 31, 2008, the value of Duncan Valley's plant is \$6,994,917. Staff
27 considered these values for purposes of this analysis. The proposed Renewable Energy Standard
28 Tariff would have no impact on the Company's revenue, fair value rate base, or rate of return.

1 Because plant developed pursuant to the REST programs is not added to the rate base, there will be
2 no corresponding effect on Duncan Valley's ultimate revenue or rate of return.

3 **Recommendations**

4 13. Staff has reviewed Duncan Valley's proposed tariffs and finds that they are
5 consistent with A.A.C. R14-2-1808, R14-2-1809(A), and Appendix A: Sample Tariff of the
6 Renewable Energy Standard and Tariff Rules. Staff has recommended the following:

- 7 a. Approval of Duncan Valley's Renewable Energy Standard Tariff;
8 b. Duncan Valley remove the \$50.00 Inspection Fee from its Renewable Energy
9 Standard Tariff;
10 c. Duncan Valley's Voluntary Renewable Energy Standard Contribution Program Tariff,
11 currently on file with the Commission, remain in effect until further Order of the
12 Commission; and
13 d. Duncan Valley's Customer Self-Directed Tariff, currently on file with the
14 Commission, remain in effect until further Order of the Commission.
15 e. Duncan Valley file a revised RES Tariff consistent with the Decision in this matter
16 within 15 days of the effective date of the Decision.

17 **CONCLUSIONS OF LAW**

18 1. Duncan Valley Electric Cooperative, Inc. is an Arizona public service corporation
19 within the meaning of Article XV, Section 2, of the Arizona Constitution.

20 2. The Commission has jurisdiction over Duncan Valley Electric Cooperative, Inc.
21 and over the subject matter of the Application.

22 3. The Commission, having reviewed the application and Staff's Memorandum dated
23 December 2, 2009, concludes that it is in the public interest to approve the Duncan Valley RES
24 Tariff as specified in this order.

25 **ORDER**

26 IT IS THEREFORE ORDERED that the Duncan Valley Electric Cooperative, Inc. RES
27 Tariff is hereby approved as discussed herein.

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...

1 IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative, Inc. shall file with
2 Docket Control, as a compliance matter in this case, tariff pages consistent with the terms of the
3 Commission's Decision within 15 days from the effective date of the Decision.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRMAN

COMMISSIONER

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10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto, set my hand and caused the official seal of
15 this Commission to be affixed at the Capitol, in the City of
16 Phoenix, this _____ day of _____, 2009.

17 _____
18 ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20 DISSENT: _____

21 DISSENT: _____

22 SMO:CLA:lhbm\CH
23
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27
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Decision No. _____

1 SERVICE LIST FOR: Duncan Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01703A-09-0447

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5 Cooperative Association, Inc.
6 120 North 44th Street, Suite 100
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9 Director, Utilities Division
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